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Report Highlights:

"Irritant" Trade Relationship Between Mexico and the United States*The National Agricultural Council Urges Mexico to Diversify Agricultural Exports*Ready the Defense Plan of Corn and Dry Beans*Expropriated Sugar Mills Increase Sugar Production*Pressure to Find a Solution to the Sweetener Issue*The U.S. Senate Approves Aid for Mexican Rural Areas*Some Consider 100 Million Dollars Pocket Change*Is a 30-Percent Duty on Beef Imports to Mexico Imminent?*Negative Impact in Mexico Because of the "Washington Consent?"*Mexico and Japan Postpone the Signature of the Free Trade Agreement*Mexico and Australia Promote Agricultural Trade*Businessmen From New Zealand Support a Free Trade Agreement With Mexico

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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"IRRITANT" TRADE RELATIONSHIP BETWEEN MEXICO AND THE UNITED STATES

According to Juan Carlos Baker-Pineda, NAFTA Director in the Economy Secretariat, despite the fact that 99 percent of the goods and services exchanged between Mexico and the United States are duty-free, "irritating" trade issues persist (such as tariff and non-tariff trade barriers, technical regulations and security measures). These issues impede a smooth trade relationship between both countries, he said. Problems like access of Mexican trucks into the United States and obstacles for Mexican avocado exports, are examples of these irritating issues, Baker-Pineda added. (Source: *El Financiero*, 7/10/03)

THE NATIONAL AGRICULTURAL COUNCIL URGES MEXICO TO DIVERSIFY AGRICULTURE EXPORTS

Armando Paredes-Arroyo, president of the Agricultural National Council (CNA), said it is urgent that Mexico diversify its agricultural exports. He also stated that more than 80 percent of Mexican agricultural exports are concentrated in the United States. Paredes-Arroyo also said that this elevated dependence on the United States represents a "high vulnerability" due to a new U.S. law on bio-terrorism, which will go into effect in November 2004, and implies a non-tariff trade barrier for Mexican products. (Source: *El Financiero*, 7/11/03)

READY THE DEFENSE PLAN OF CORN AND DRY BEANS

Javier Usabiaga, Secretary of Agriculture, confirmed that the United States trade authorities already have the arguments that Mexico will use to negotiate adjustments of the NAFTA provisions on white corn and dry beans. The secretary expects to set up a new meeting with them in the next few days. In the meantime, the GOM has already sent its counterpart, "the studies, documents and working papers," where the GOM maintains that domestic consumption of dry bean has dropped 14 percent, and states that this trend will continue. (Source: *El Financiero*, 7/14/03)

EXPROPRIATED SUGAR MILLS INCREASE SUGAR PRODUCTION

According to the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), sugar production for MY 2002/03 increased for the states of Jalisco and Colima, where seven sugar mills are located. Three of these mills, which were expropriated by the federal government in 2001, Bellavista, Jose Maria Martinez, and Jose Maria Morelos, also showed an increase in production of about 19 percent compared to MY 2001/02 production.

SAGARPA indicated that the objective of the expropriation was to make the sugar mills more productive and profitable and then privatize them again. (Source: *Reforma*, 7/14/03)
(Note: SAGARPA data differs substantially from the data from Committee for the Sugar Agro-industry which shows a 29.6 percent increase in production for the Jose Maria Martinez mill, and almost no change in productivity in the Bellavista and Jose Maria Morelos mills. End Note.)

PRESSURE TO FIND A SOLUTION TO THE SWEETENER ISSUE

Iowa Governor Tom Vilsack sent letters to President George Bush, USTR Representative Robert Zoellick and Mexican Consul Luis Cuevas demanding a bilateral agreement as soon as possible that would restore trade on sweeteners. Governor Vilsack indicated that no other U.S. exporting industry has had its market closed for so long. The halt of exports of HFCS to Mexico due to the 20 percent tax on beverages using other sweeteners instead of sugar, and of corn to produce HFCS, is generating a loss to corn producers in the United States of approximately US\$300 million dollars a year. (Source: *Financiero*, 7/10/03)

THE U.S. SENATE APPROVES AID FOR MEXICAN RURAL AREAS

The U.S. Senate approved the granting of US\$100 million dollars for poor rural areas in Mexico. This aid is part of a program destined for small producers overseas. Resources will be used to develop small companies and support farmers that are not eligible for credit. U.S. Senator Harry Reid (D) from Nevada indicated that this is not a typical aid package, and it is not a gift. It is an agreement based on the free market and long-term growth in the rural sector in Mexico. Reid added that this measure is geared to prevent illegal immigration as well as to help Mexico, where 40 million people live in poverty. Senator Reid expressed to the Senate that this aid would allow the generation of productive projects and would prevent the growing problem of immigration to the United States. (Source: *Reforma*, 7/11/03)

SOME CONSIDER 100 MILLION DOLLARS POCKET CHANGE

According to a local newspaper, the Coordinator of the Permanent Agrarian Congress (CAP), Max Correa, said the US\$100 million dollars approved by the U.S. Senate to Mexico as aid to the farmers of our country, qualified as "crumbs" and "alms." Correa said when the United States gives subsidies to their producers worth billions of dollars, the figure of 100 million dollars of aid to Mexico represents an offense and will only allow for the purchase of gumballs. (Source: *Reforma*, 7/13/03)

IS A 30-PERCENT DUTY ON BEEF IMPORTS TO MEXICO IMMINENT?

According to Mexico's Parliamentary Gazette, three state congresses have agreed to support an initiative of the Special Commission on Agriculture in Mexico's Lower House to apply a tariff of 30 percent on imports of beef meat, in any of its presentations. This measure would regulate imports of this product, foreign trade, the country's economy and the stability of national production of beef. (Source: *Gaceta Parlamentaria*, 7/9/03)

NEGATIVE IMPACT IN MEXICO BECAUSE OF THE "WASHINGTON CONSENT"

According to Jose Luis Calva and Enrique Dussel, professors and investigators of Mexico's National Autonomous University (UNAM), the current situation of the Mexican economy is a consequence of the application of measures dictated by the "Washington Consent." These recommendations, according to Messrs. Calva and Dussel, have caused the deterioration of the quality of life of Mexicans. They also refer to the NAFTA "balance," and claim that after almost ten years, it shows very poor results for Mexico. That fact, they explained, is because

a fund of capital development was not introduced in the NAFTA agreement. Moreover it does not include any provision to facilitate the traffic of manpower among the three countries, as was taken into account by the European Union. (Source: *EL Financiero*, 7/8/03)

MEXICO AND JAPAN POSTPONE THE SIGNATURE OF THE FREE TRADE AGREEMENT

The free trade agreement between Mexico and Japan will not be signed in October during the visit of President Fox to Japan, as it was expected. According to the Secretary of Economy, Fernando Canales-Clarion, "the negotiations that Mexico and Japan are conducting will result in a free trade agreement, including agricultural commitments, which are very important to the Mexican farmers." However, the Japanese proposal on tariff reduction for agricultural products didn't satisfied Mexico. Therefore, Mexico expects a new Japanese proposal after the next WTO meeting which be held in Cancun on September 10-14, 2003. (Source: *El Financiero*, 7/11/03)

MEXICO AND AUSTRALIA PROMOTE AGRICULTURAL TRADE

The Governments of Mexico and Australia have been working together to make sure that negotiations at the World Trade Organization (WTO) meeting in September in Cancun regarding agricultural matters are not stagnated. Both governments want WTO members to vote to reduce agricultural subsidies and other trade barriers. During a combined press conference with Australia's First Minister of Agriculture, William Truss, Mexican Agriculture Secretary, Javier Usabiaga, stated that Mexico has always maintained that competitive countries on agriculture should reduce their supports. But, he said, it doesn't have anything to do with the Mexican internal subsidies. "Mexico has an extremely serious problem whereby we should strengthen the subsidies toward the rural society, to achieve levels of well-being, justice, education and health in the rural society, instead of giving supports to the producers. (Source: *El Financiero*, 7/14/03)

BUSINESSMEN FROM NEW ZEALAND SUPPORT A FREE TRADE AGREEMENT WITH MEXICO

According to New Zealand businessmen Philip Lewin, Executive Director of Wellington Trade Chamber, and Peter Townsend, Executive Director of Canterbury Trade Chamber, a free trade agreement with Mexico is highly supported. Businessmen of this country are convinced that free trade will bring not only many advantages for business, but also for the competitiveness of both economies and for its population's pockets. (Source: *El Financiero*, 7/14/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3092	Hot Bites Issue #34	7/9/03
MX3093	Planting Seed Annual Report	7/10/03
MX3094	Mexico Announces Import Permits (Cupos) for Green Coffee Beans	7/15/03

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